How to Review a SAR

(Key attributes of a good SAR)

October 2007
DAMIR Conference

Dana Harrison
dana.harrison@osd.mil
(703) 695-5167

Background

- Legal reporting requirement for **MDAPs** and other programs that meet the cost criteria – some highly sensitive classified programs are excluded. (**10 U.S.C. 2432**)
- Provides Congress the cost, schedule, and technical status of programs.
- **Content is prescribed by law** and changes require prior notification.
- Annual SAR is mandatory for all reporting programs.
- Quarterly exception SARs are required for unit cost increases of 15 percent or schedule delays of 6 months – measured from the last SAR submission.
- Quarterly SARs are also submitted for initial, final, and rebaselines after major milestones.
- Reporting may be terminated after 90 percent of deliveries or expenditures.

Before You Get Started

- Copy of prior SAR
- Current Guidance (including inflation rates)
- Current Data Checks
- Copy of most recent DAES
- Budget Justification Material

Key Points to Consider

Audience: Primarily Congress, also GAO and the Public

Consistency:

- President's Budget – FYDP and justification material_
- Staffer Briefings
- Congressional Testimony

General Aspects of a Good SAR

- **Narratives should be well written**
- A “summary” should be a “summary”, not a rambling narrative
- Key events since the last SAR should be highlighted
- **Information must be accurate**
- No spelling errors – ACRONYMs spelled out in narratives – Schedule and Performance sections have lists
- **Numbers must be consistent in all sections**
- Information should be appropriate to the section
- Changes from the previous SAR should be explained – **focus on the cause of the change**
- Ensure security classification is accurate
- Make sure all sections are completed

Mission and Description
Executive Summary

- **Mission and Description** rarely changes from one SAR to the next – should be brief

- **Executive Summary** - Key events since the last SAR, major milestone decisions, APB breaches and proposed plan or resolution, contract awards, contract issues, status of major tests, Congressional actions, etc. History or background should be minimal.
  - Specific language required if this is the first or last SAR submission, or quarterly exception submission
  - Specific language required if there are no significant software related issues

Cost Variance

Change Summary and Current Change Explanations

- The Change Summary includes two tables – one in **Then-Year $** and one in **Base-Year $** -- by appropriation type
- Each table shows “previous changes” and “current changes”
- Previous changes normally reflect the sum of the previous and current changes in the prior SAR and are automatically calculated
- Changes are broken down into various categories and current changes are drawn from the explanation section:
  - **Economic**
  - **Quantity**
  - **Schedule**
  - **Engineering**
  - **Estimating**
  - **Other**
  - **Support**

Cost Variance

How do you assign changes to the proper category?

Economic – Automatically calculated based on the current and previous inflation rates

Quantity – Automatically calculated based on an increase or decrease in the total number of fully configured end items reported

Schedule – Automatically calculated based on a change in any year compared to the previous cost estimate (PCE)

Engineering – Due to a change in the physical or functional characteristics of an end-item or subsystem – configuration changes

Estimating – Refinement of a prior estimate – change in cost estimating assumptions not covered in any of the other categories

Other – Rarely used, must be approved by OSD – Changes due to natural disasters, strikes, or similar unforeseeable events not covered in other categories

Support – Any change in cost not associated with "flyaway" costs, e.g., spares, other weapon system costs, training, data, etc.

Cost Variance

Example Change Explanations

Economic – explanation not required, standard entry provided

Quantity – “increase of 25 vehicles from 225 to 250”

Schedule – “stretch-out in schedule from FY05-10 to FY05-13”
“acceleration of annual buy profile from 25 to 30 units a year”
“acceleration of buy, procurement ends in FY11 instead of FY15”

Engineering – “addition of new environmental control unit”
“removal of enclosed mast”

Estimating – “change in test estimates” “refined material cost estimates” “increase in labor hour projections” “update of EACs based on contract performance”

Support – “increase in Initial Spares to support an additional 25 vehicles” “addition of a fifth training simulator”

Funding and Cost

Funding Annual Summary

- **An LRIP footnote is required**
  - date of initial LRIP decision
  - initial approved LRIP quantity
  - current approved LRIP quantity
  - **if LRIP quantity is greater than 10% of the total procurement buy, justification should be provided**
- Unit of Measure footnote may be required if not obvious
- Flyaway costs should be broken down between recurring and non-recurring
- Support costs should be broken down between other weapon system and initial spares
- Foreign Military Sales and Nuclear Costs should be shown if appropriate or “none” indicated
- **EXPLAIN DIFFERENCES or APPARENT DIFFERENCES Between SAR reported cost and the FYDP or TOTAL PROGRAM BUDGET in a footnote**

Contract Information

Key information:

- Contract Name – **depicts type of effort** – e.g., Development, SDD, Procurement, Trainers, Lot 5, Engineering Support
- Contractor Name & Location – **should indicate primary work site**
- Contract number & type – Award & Definitization dates
- **"Price" data vice "Cost"** data shown in DAES
- Cost and Schedule Variances (based on EVMS data) are shown under Explanation of Changes
- **Explanation of Target Price changes are included under Contract Comments**
- Additional comments may be included under Contract Comments

Threshold Breaches

APB Breaches –

- Schedule, Cost, and Unit Cost breaches are automatically calculated and checked. Performance breaches must be checked by the preparer.
- Breaches can be confirmed by double-checking the Schedule, Performance Characteristics, and Funding and Cost Sections, and by consulting Data Checks.
- **All breaches should be explained, including the status of the breach and planned resolution.**

Threshold Breaches

Nunn-McCurdy Breaches –

- Breaches are calculated and indicated against both the "Current" UCR baseline and the "Original" UCR baseline for PAUC and APUC
- **"Significant"** – an increase of 15% or more against the current APB or 30% or more against the original APB
- **"Critical"** – an increase of 25% or more against the current APB or 50% or more against the original APB
- All breaches should be explained, including the status of the breach and planned resolution
- Programs with "critical" breaches require "certification" by USD(AT&L) prior to being allowed to continue

Miscellaneous Sections

Points of Contact – If a new PM has been assigned since the last SAR, you might want to review more closely

Track to Budget – Helps identify what budget documentation you should look for to ensure consistency – **Check to make sure all appropriations are reflected in the Funding Annual Summary section**

References – Should identify **latest approved APB** and be consistent with other sections of the SAR

Schedule & Performance Characteristics – **COMPARE AGAINST THE PRIOR SAR** - Be sure that changes in the Current Estimate are explained in a from/to format. Similar change explanations can be grouped.

Deliveries and Expenditures – If the percent delivered or expended is 90% or more, the program may qualify for SAR termination.

Summary

- Remember the purpose of the report and the intended audience
- Be clear, concise, and accurate
- **Be consistent with other reports and budget material**
- Be sure the report is prepared and reviewed by the appropriate persons prior to submission to OSD:
  - **Program Manager**
  - **PEO**
  - **Service SAE staff**